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THE Demand and Price SITUATION

BUREAU OF AGRICULTURAL ECONOMICS
UNITED STATES DEPARTMENT OF AGRICULTURE

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CONTENTS

SUMMARY

The over-all level of prices received by farmers remains fairly steady as improving economic activity sustains a high demand for farm products. With the likelihood of continued high rates of employment and consumer income, prices of agricultural commodities are expected to stay close to present levels in the early months of 1950.

Total industrial activity continued to recover from the effects of the work stoppages in coal and steel with output of steel increasing sharply. The favorable outlook for the construction and automobile industries adds to the likelihood of a relatively high level of business activity in 1950. However, a slackening rate of business expenditures for plant and equipment indicates that this factor will not provide as much support to the economy in early 1950 as a year previous.

The general wholesale price level has continued to drift downward in recent months, reflecting for the most part declines in prices of farm and food commodities. The average of prices of industrial commodities has been quite stable for the last six months and could advance slightly as a result of the recent increase in prices of steel. The ratio of prices received to prices paid by farmers has declined to about that of late 1941.

ECONOMIC TRENDS AFFECTING AGRICULTURE

Item	Unit or base period	1948 Year	1948 Nov.	1949 Aug.	1949 Sept.	1949 Oct.	1949 Nov.
Industrial production 1/	1935-39						
Total	= 100	192	195	170	174	166	171
All manufacturers	do.	198	201	177	184	176	177
Durable goods	do.	225	229	192	199	175	180
Nondurable goods	do.	177	178	165	172	177	175
Minerals	do.	155	161	129	119	112	139
Construction activity 1/	1935-39						
Contracts, total	= 100	331	329	399	429	458	
Contracts, residential	do.	397	377	559	623	659	
Wholesale prices 2/							
All commodities	1926=100	165	164	153	154	152	152
All commodities except farm and food	do.	151	154	145	145	145	145
Farm Products	do.	188	181	162	163	160	157
Food	do.	179	174	161	162	160	159
Prices received and paid by farmers 3/	1910-14						
Prices received, all prod.	=100	287	271	245	249	243	239
Prices paid, interest and taxes	do.	250	248	243	242	240	240
Parity ratio	do.	115	109	101	103	101	100
Consumers' price 2/ 4/	1935-39						
Total	= 100	171	172	169	170	168	169
Food	do.	210	208	203	204	201	201
Nonfood	do.	149	152	150	150	150	150
Income							
Nonagricultural payments 5/	Bil. dol.	188.8	192.8	192.2	193.1	190.5	
Income of industrial workers 3/	1935-39 = 100	364	376	n.a.	n.a.	n.a.	
Factory payrolls 2/	do.	374	386	344	356		
Weekly earnings of factory workers 2/							
All Manufacturing	Dollars	54.14	55.60	54.66	55.72	55.26	54.45
Durable goods	do.	57.11	59.11	57.70	58.80	58.03	56.85
Nondurable goods	do.	50.61	51.63	51.31	52.46	52.51	51.78
Employment							
Total civilian 6/	Millions	59.4	59.9	59.9	59.4	59.0	59.5
Nonagricultural 6/	do.	51.4	51.9	51.4	51.3	51.3	51.6
Agricultural 6/	do.	8.0	8.0	8.5	8.2	7.7	7.9
Government finance (Federal) 7/							
Income, cash operating	Mil. dol.	3,748	3,190	3,150	4,915	2,046	
Outgo, cash operating	do.	3,075	3,474	3,715	3,848	3,268	
Net cash operating income or outgo	do.	+673	-283	-565	+1,067	-1,222	

Annual data for the years 1929-48 appear on page 29 of the March 1949 issue of The Demand and Price Situation.

Sources 1/ Federal Reserve Board, converted to 1935-39 base. 2/ U. S. Dept. of Labor, BLS. 3/ U. S. Dept. of Agriculture, BAE, to convert prices received and prices paid interest and taxes, to the 1935-39 base, multiply by .93110 and .78125 respectively. 4/ Consumers' price index for moderate-income families in large cities. 5/ U. S. Dept. of Commerce revised figures employing new concepts, seasonally adjusted at annual rate. 6/ U. S. Dept. of Commerce, Bureau of the Census. 7/ U. S. Dept. of Treasury. Data for 1948 are on average monthly basis. (n.a.) Not available.

Commodity Highlights

Hog prices in the first quarter of 1950 are expected to average higher than in the last quarter of 1949. Egg prices are to be supported in 1950 at levels which will yield an annual average of 37 cents per dozen to farmers. In 1949 the U. S. annual average price to farmers was about 46.5 cents per dozen. Although feed prices in general this winter are expected to remain lower than a year earlier, they probably will be nearer the level of last year by late winter or spring. Grower prices for apples are likely to increase less than seasonally in January and February. Grower prices for citrus fruits are expected to decline slightly in the next few months. The seasonal rise in prices received by farmers for potatoes is expected to be less than usual for the rest of the 1949-crop marketing season. Larger supplies of fresh market truck crops this winter are likely to result in prices moderately lower than those of a year ago. Exports of dark air-cured tobacco in 1949-50 are not likely to be as large as in the previous year.

OUTPUT AND EMPLOYMENT

Industrial production in November recovered from the relatively low level of October as operations were resumed in the steel and coal industries. The Federal Reserve Board's index of industrial production, seasonally adjusted, rose to 171 (1935-39=100), 5 points above October and only 3 points below September. Total industrial output in November, however, was still 12 percent below the postwar peak rate reached in October and November last year.

Durable goods production increased substantially following the rapid recovery in steel production. The index of durable goods output, seasonally adjusted, was 180 in November, compared with 175 in October and 229 in November, 1948. Within 6 weeks of the settlement of the steel strike, steel operations increased from 11 percent of rated capacity to a rate of 94 percent of capacity in mid-December, the highest since mid-June 1949. Lumber output also increased substantially during the month, reflecting the strong demand arising from the high rate of construction activity. However, declines in the automobile and machinery groups partially offset these increases. Motor vehicle production averaged about 102,000 units a week during November, compared with an average of about 139,000 in October and a peak of 152,000 in mid-July. The reduction was due largely to model change-overs and steel shortages. Depletion of reserve stocks of steel was also responsible for part of the decline in the output of the macinery group in November, although slackening demand for producers' durable equipment was also a factor.

Output of nondurable goods, although declining slightly from October, continued at a near-record rate. The index of nondurable goods production was 175 in November, 2 points below October and only 4 points below the postwar peak in November 1948. Slight increases in output of textiles, especially rayon, and chemicals were offset by declines in printing and publishing activity and in production of manufactured food products. Output in other nondurable groups remained about the same as in October.

Total production of minerals rose sharply in November after coal mining was resumed. The seasonally adjusted index of minerals output rose to 139, compared with 112 in October and 158 in November, 1948. Coal output increased to more than two and one-quarter times that of October. Crude petroleum output also increased.

Preliminary data on selected industries point toward another substantial increase in over-all industrial output in December. Steel operations continued to increase and motor vehicle production, which declined further early in December, recovered later in the month as plants once again started full scale operations. In the machinery group, a continued strong demand for home appliances resulted in further increases in output of these items.

Construction activity, despite a seasonal decline in November, was still at near-record levels. The value of total construction started in November was 1.7 billion dollars, 8 percent below October but 6 percent above November a year earlier. Contrary to the usual seasonal downturn, building of stores, office buildings and schools increased slightly over October. Private nonfarm home building declined 3 percent from October but was still 14 percent above November last year.

By the end of November, a record outlay for new construction was virtually assured for 1949. At that time, total expenditures on new construction were 17.7 billion dollars, 2 percent more than in the same period in 1948. Private expenditures were 5 percent lower, but public outlays were 25 percent higher than in 1948.

Ninety-three thousand new nonfarm dwelling units were started in November, bringing the total number of starts so far in 1949 to 937,100. This surpasses the 937,000 units begun in all of 1925, the former peak year in home building, and virtually assured over 1,000,000 new starts in all of 1949.

High rates of output in the construction and automobile industries have been important elements of strength underlying the high level of total business activity. Some indication of the outlook for 1950 in these industries has been provided recently by the U. S. Department of Commerce, U. S. Department of Labor and the Federal Reserve Board.

According to a joint estimate of the Office of Domestic Commerce, U. S. Department of Commerce, and the U. S. Department of Labor's Bureau of Labor Statistics, total construction outlays in 1950 will about equal the record of 19 billion dollars spent in 1949. Private expenditures in 1950 are expected to be about 1 billion dollars less than in 1949, but this will be offset by an increase in outlays for public projects. Both

private residential and nonresidential outlays are expected to decline about 7 percent below 1949, while increases in virtually all categories of public construction are expected.

The recent record rate of new home building is expected to slacken somewhat in 1950. The number of starts is expected to decline to about 900,000 in 1950, which would still rank as the fourth best year in history. Private housing in 1950 is expected to account for about 830,000 units compared with 900,000 this year. From 60,000 to 80,000 public housing units are expected to be started next year under the Housing Act of 1949.

Results of the July 1949 Survey of Consumer Finances by the Federal Reserve Board, indicate that consumers intended to buy as many antomobiles during the next 12 months as they had intended to buy at the beginning of 1949. If these intentions are carried out, sales will continue at a high level through at least the first half of 1950.

The Survey also provided information on automobile ownership by income and asset groups and by age of car--data of extreme importance in evaluating the automobile market. About 7 out of 10 cars owned by urban families at the beginning of 1949 were more than seven years old compared with only 2 in 10 in 1941. Another of the significant findings of the Survey was the predominance in early 1949 of prewar cars among almost all classes of car owners. The Survey found that about one-third of the 20 million prewar cars were owned by spending units with incomes of $4,000 or more in 1948. Nearly half of all prewar models were owned by spending units with liquid assets of $500 or more.

The high proportion of over age cars to the total number in use, and the large number of over age automobiles owned by spending units whose assets and incomes are conducive to the ownership of new cars, indicate that demand for replacements should continue as an important source of strength to the automobile industry in 1950.

In contrast to these elements of strength in the economic situation for 1950 is the gradual tapering off in business expenditures for plant and equipment. According to results of the survey on anticipated business expenditures for the first quarter of 1950 conducted jointly by the U. S. Department of Commerce and Securities and Exchange Commission, total business outlays in January-March, 1950 are expected to be about 3.8 billion dollars, 14 percent smaller than in the first and fourth quarters of 1949. The decline from the fourth quarter of 1949 is in line with the usual seasonal drop.

<u>Total civilian employment</u> rose by about 500,000 persons between October and November as both nonagricultural and agricultural employment increased. The civilian labor force increased from 62.6 million in October to 62.9 million in November. Employment in November totaled 59.5 million persons, compared with 59.0 million in October and 59.9 million in November a year ago. <u>Nonagricultural employment</u> exceeded that of

any month this year, rising from 51.3 million in October to 51.6 million in November. The rise reflected the return to work of those who sought substitute employment while involved in work stoppages and the holiday season increase in employment in the trade industries.

Total unemployment dropped to the level prevailing before the work stoppages. At 3.4 million persons, total unemployment in November was 200,000 below October. The decline in unemployment was somewhat smaller than expected on the basis of the end of the work stoppages alone, however, as the number of seasonal workers looking for jobs increased.

INCOME AND RELATED FACTORS

Total personal income declined in October, largely as a result of the drop in pay rolls associated with the work stoppages in the steel and coal industries. The seasonally adjusted annual rate of personal income fell to 208.4 billion dollars in October, compared with 210.5 billion in September and 216.3 billion in October 1948. Salary and wage receipts fell to 133.1 billion dollars (annual rate), 1.7 billion below September and 5.0 billion below October 1948. Smaller pay rolls in the coal, steel and transportation industries, which were most directly affected by the work stoppages, were responsible for most of the decline and offset small increases in the textile, machinery and paper industries. Transfer payments were also down from September largely because of the nonrecurrence of dividend payments on Government life insurance made in September primarily to veterans of World War I.

Although increasing slightly above October, department store sales in November continued below those of a year earlier. The Federal Reserve Board's index in November was 277 (1935-39=100), compared with 275 in October and 290 in November 1948. Sales were still below a year ago in early December but late holiday buying brought sales above year ago levels later in the month. During the week ending December 24 they averaged 14 percent above those of the same week in 1948. For the period January 1 through December 24, sales averaged 5 percent below those in the same period of 1948.

COMMODITY PRICES

The general level of wholesale prices continued to drift downward in November and early December. Since August, the decline has been largely in prices of farm products and foods. Prices of non-agricultural products as a group have remained stable during the period with increases in prices of fuel and building materials offsetting declines in textiles, metals and chemicals. From January to August, 1949, the price declinedwas general among both agricultural and non-agricultural commodities. The BLS monthly index of wholesale prices declined5 percent. Farm product prices were down 6 percent, food, 3 percent, and non-agricultural commodities, 5 percent. The decline in the total index was halted briefly in September and then was resumed as farm products and foods again began to drop.

Table 1.- Group indexes of wholesale prices, week ended December 27, 1949 with comparisons

(1926=100)

Group	Week ended Dec. 27, 1949	Week ended Nov. 29, 1949	Week ended Dec. 28, 1948	Week ended December 27 percentage change from Week ended Nov. 29, 1949	Week ended December 27 percentage change from Week ended Dec. 28, 1948
All commodities	151.1	151.4	162.0	- .2	- 6.7
Farm products	155.1	155.3	178.0	- .1	-12.9
Food	155.6	157.9	170.3	-1.5	- 8.6
All other than farm and food	145.4	145.1	152.4	+ .2	- 4.6
Textile products	137.5	137.6	146.5	- .1	- 6.1
Fuel and lighting materials	130.5	130.4	137.0	+ .1	- 4.7
Metals and products	169.4	169.2	174.0	+ .1	- 2.6
Building materials	190.8	189.2	201.3	+ .8	- 5.2
Chemicals and allied products	115.4	116.5	129.5	- .9	-10.9

Bureau of Labor Statistics.

The weekly index of wholesale prices of all commodities declined to 151.1 (1926=100) during the week ended December 27 slightly below 4 weeks earlier and 6.7 percent below a year ago. Prices of food products continued downward, dropping 1.5 percent from November 29, while farm product prices remained about the same. Prices of commodities other than farm and food averaged fractionally higher as increases in prices of building materials more than offset declines in chemicals and chemical products. Prices of all other groups changed only slightly. The recent increase in prices of steel may be reflected in a further slight advance in the overall level of industrial commodity prices.

The average of prices paid by moderate income families in large cities in November increased fractionally over October. Slight increases in food, rent and fuel prices offset equally small declines in prices of clothing and miscellaneous commodities and services. The BLS index of consumers' prices in November was 168.6 (1935-39=100), compared with 168.5 in October and 172.2 in November a year earlier.

The level of prices received by farmers in mid-December was about 1 percent below the previous month. The BAE index of prices received by farmers was 236 (1910-14=100) in December compared with 239 in November

and 268 in December a year ago. All crop prices averaged the same as in mid-November as increases in prices of feed grains, tobacco and fruit were offset by declines in cotton and truck crops. Lower prices received for poultry, eggs, and meat animals, resulted in a 3 percent decline in average prices received for all livestock and livestock products.

Table 2.- Group indexes of prices received by farmers December 15, 1949 with comparisons

Group	Index numbers (August 1909-July 1914=100) Dec. 15, 1949	Nov. 15, 1949	Dec. 15, 1948	December 15, 1949 percentage change from Nov. 15, 1949	Dec. 15, 1948
Food grains	219	215	236	+ 2	- 7
Feed grains and hay	170	159	184	+ 7	- 8
Cotton	214	224	239	- 4	- 7
Tobacco	415	375	415	+11	0
Oil-bearing crops	212	207	283	+ 2	-25
Fruit	151	149	164	+ 1	- 8
Truck crops	206	226	209	- 9	- 1
All crops	208	208	228	0	- 9
Meat animals	289	295	339	- 2	-15
Dairy products	259	258	283	1/	- 8
Poultry and eggs	195	217	260	-10	-25
Livestock and products	261	268	305	- 3	-14
Crops and livestock and products	236	239	268	- 1	-12

1/ Less than one-half percent increase.

In mid-December farmers received prices averaging 12 percent below those of a year earlier with prices of all groups, except tobacco, lower. Average prices received for crops were off 9 percent from last year with prices of oil-bearing crops off the most. Prices of livestock and products were down 14 percent from December 1948 with prices of meat animals, poultry and eggs off most sharply.

With demand for farm products strong and with price supports cushioning the impact on prices of record and near record supplies the average of prices farmers will receive in the next few months will probably remain close to the December level.

Prices paid by farmers, including interest and taxes in December averaged slightly higher than in the previous month. The BAE index of prices paid, interest and taxes was 240 (1910-14=100) in December, .4 percent above November but 2.4 percent below December a year earlier. Prices paid for feed, clothing and building materials increased over November, while those paid for most other items changed only slightly. Reflecting the 3 point drop in prices received and the 1 point rise in prices paid, the parity ratio (index of prices received divided by index of prices paid, interest and taxes) dropped to 98, marking the first time since November 1941 that this ratio has fallen below 100.

FARM INCOME

It is now estimated that farmers received 3.1 billion dollars from farm marketings in October, 20 percent more than in September but 20 percent less than in October 1948. Receipts from all farm marketings in November were about 2.8 billion dollars. And cumulative receipts from January through November 1949 came to 25 billion dollars, or 10 percent below the same period in 1948. Tentative estimates indicate that total cash receipts in December were probably down about 5 percent from November, and slightly below December 1948.

More up-to-date information on crop loans has made revision in the October estimates necessary.

Cash receipts in October

Farmers received 1.3 billion dollars from the marketing of livestock and livestock products in October, and 1.8 billion dollars from crops. Cash receipts from meat animals were 12 percent above September but 17 percent below October of last year. Although receipts from dairy products and poultry and eggs were about the same as in September, they were nearly 10 percent below October 1948 because of lower prices.

Most crop receipts in October were above the previous month because of seasonally larger marketings. However, receipts were down from October 1948 for nearly all the important crops except corn. Receipts from corn showed a substantial increase over the previous year because of liquidation of large supplies formerly held by farmers under purchase agreement.

Cash receipts in November

Cash receipts of 1.3 billion dollars from livestock and livestock products in November were down only 6 percent from October but 18 percent below November of last year. Receipts from meat animals were 12 percent lower than in October. Marketings of hogs were up rather sharply, but sales of cattle, calves, sheep and lambs were down seasonally. Receipts from meat animals were 25 percent below a year ago, with prices and volume both lower.

The seasonal decline in marketings of dairy products more than offset a slight increase in prices. Dairy receipts were down 11 percent from October 1949 and 5 percent from November 1948. Receipts from poultry and eggs were 17 percent above October, but they were 9 percent below November a year ago because of lower prices.

Total crop receipts in November were about 1.5 billion dollars, 17 percent below October and 11 percent less than a year ago. The volume of crop makretings was down a fourth from the October level, and 5 percent smaller than in November 1948. Crop prices averaged slightly higher than in October, but 7 percent below prices in November of last year. Receipts from soybeans, corn, tobacco, truck crops, and wheat were all down from October; and receipts from nearly all crops were lower than last year because of lower prices.

Cash receipts, January-November

Farmers' receipts from marketings during the first 11 months of 1949 were about 25 billion dollars, or 10 percent below the corresponding period last year. Although the total volume of marketings was slightly larger than in the first 11 months of 1948, prices that farmers received averaged 12 percent lower. Total receipts from livestock and products were below last year. For the same period, cash receipts from meat animals and dairy products were both down about 15 percent because of lower prices, but receipts from poultry and eggs were down only slightly. The 11-month total for crop receipts was 8 percent below last year. Slightly smaller quantities of wheat were marketed at lower prices this year, and cash receipts from wheat declined substantially. Receipts from oil-bearing crops were down 30 percent mostly because of declines in marketings and prices of soybeans and flaxseed. Receipts from vegetables were also affected by lower prices.

LIVESTOCK AND MEAT

After dipping to within 30 cents of the support guide during the third week of December, the average price of hogs in 7 Corn Belt markets rose later in the month. The year ended without any operations being started to support hog prices. The average price received by farmers for hogs in December was $14.80 per cwt., compared with a support price of $14.20. For the year as a whole the price averaged 105 percent of parity.

From January through March 1950 the possible need for pork purchases under the hog price-support program will be gauged by support guides which will rise in line with the normal seasonal upturn in hog prices. Assuming a continued steady demand for hog products, the number of mature hogs remaining to be marketed will be an important factor bearing upon possible activity under this price-support program. The December pig crop survey reported that on December 1, 1949 the number of hogs over 6 months of age remaining on farms was about the same as

a year earlier. This indicates that hog slaughter during the next two or three months may not exceed the rate for the same months a year ago. Farmers will have to withhold additional gilts from slaughter if they are to achieve the expected 7 percent increase in farrowings over the spring of 1949 but this may be about offset by earlier marketings from the 1949 fall pig crop. With hog marketings dropping to about the rates of a year earlier, hog prices in the first two or three months of 1950 are expected to advance seasonally. This will be in contrast to the first quarter of 1949, when central market prices of hogs barely held steady.

No announcement has been made regarding price support programs for hogs beyond March 1950.

According to farmers' intentions as of December 1, 1949, about 9.8 million sows will farrow the 1950 spring pig crop. This would be about 7 percent more than farrowed the spring crop in 1949. If the number of pigs saved per litter is assumed to be 6.4 the crop will be about 6 percent larger than the 1949 spring crop now being marketed. Farmers reported that the fall pig crop of 1949, which will be marketed mostly in the spring and early summer of 1950, was 10 percent larger than the preceding fall pig crop.

Hog prices in December averaged almost a dollar per cwt. below the October 1946 OPA price ceilings but prices of Choice steers were near a record. The average price of $37.96 per cwt. for Choice and Prime steers in Chicago for the week ended December 10, was within $2.00 of any comparable price reached prior to this fall. Prices of less highly finished grades of slaughter cattle were relatively lower. The average for all slaughter steers during the week was $26.67, only 4 percent less than a year before.

The number of cattle on feed January 1, 1950 is expected to be about the same as a year earlier. The usual seasonal pattern is for the marketings of fed cattle of Good grade or better to increase after February, and for prices to decline moderately.

Although lamb prices continue relatively high, they have declined from their earlier seasonal peak. At $21.00 per cwt., the average price to farmers in December was 4 percent below the record average December price reached in 1948.

DAIRY PRODUCTS

On December 22, 1949 the Department of Agriculture announced a program to support U. S. average prices received by farmers, through March 1951, at approximately $3.07 per hundredweight for manufacturing milk and approximately 60 cents per pound for butterfat. These prices are equivalent to about 79 percent of parity for manufacturing milk and to approximately 86 percent for butterfat. Products to be purchased and their prices are as follows: Cheddar cheese, Grade A, 31 cents per pound; butter, Grade A, 60 cents per pound; nonfat dry milk solids,

spray type, 12.5 cents per pound; roller type, 10.5 cents per pound; and evaporated milk, $3.95 per case. These prices are for carlot quantities, f.o.b. at any location in the United States.

Prices of principal manufactured dairy products have been relatively stable but at the present time they are ranging from 5 to 17 percent below a year earlier. Prices of milk for fluid uses increased less than usual through the early fall, and in December were 10 percent under those of December 1948. In several regions, prices to farmers per 100 pounds of milk sold at wholesale have declined more than prices of either fluid milk or manufacturing milk because of relatively larger amounts used in manufactured dairy products. At $4.23 per hundredweight in December, the U. S. average price was down 12 percent from December 1948.

Production of milk on farms recently has been at record levels and supplies of milk for manufactured dairy products have been larger than in late 1948. This increase has been absorbed wholly in making butter and nonfat powder. Output of most other manufactured dairy products has continued smaller than in corresponding periods of 1948. Although production of creamery butter in 1949 will be around 1.4 billion pounds compared with 1.2 billion pounds in 1948, it will be smaller than the 1.7 billion pounds of prewar years. More than half the gain in output over 1948 has been accumulated in storage in carrying out the price-support provisions of the Agricultural Act of 1948. Government operations have been important in bringing total stocks of (whole milk) manufactured dairy products in the U. S. to about 1 billion pounds (milk equivalent) above those of a year earlier.

Price-support purchases of butter and nonfat dry milk solids have continued relatively large for the winter season. But cheese purchases declined considerably in late November and early December. Total 1949 USDA purchases of these products were: Butter, 115 million pounds; nonfat dry milk, 436 million pounds; and cheese 40 million pounds. About 2.6 million pounds of butter were sold to private firms at purchase prices plus carrying charges. Most of the cheese, and somewhat less than one-half of the dry milk also still is in possession of the USDA.

POULTRY AND EGGS

After reaching an early (September) seasonal peak, egg prices fell sharply through the last three months of 1949. In mid-December the price received by farmers was 40.5 cents per dozen (66 percent of parity) compared with an average of 45.5 cents per dozen (87 percent of parity) for the entire year. In the past, December egg prices to farmers usually have exceeded the annual average by about 20 percent.

Unusually heavy egg production in October and November was a factor in the price declines of those months. Indications are that December output also was large.

The general expectation that support prices for eggs would be substantially lower than in 1949 also was a factor in the December price decline. This expectation was borne out on December 21, when the Department of Agriculture announced that it would seek to maintain the 1950 annual average farm price of eggs at a minimum of 37 cents per dozen. This is expected to approximate 75 percent of the new parity for 1950.

Seasonally large numbers of chickens and turkeys was sold from farms in December. Turkey prices increased slightly, while chicken prices fell further from the already low levels of the past few months. In December turkey prices received by farmers averaged 35.3 cnets per pound, the highest since marketings of the large 1949 crop were begun. On the other hand, chicken prices, at 22.3 cents per pound, were at the lowest levels of the year.

The Department of Agriculture has offered its price-support stocks of turkey for sale. To December 31, no acceptable offers had been tendered for the Government holdings, which on that date totaled 11.8 million pounds.

FATS AND OILS

Prices of most domestic fats and oils in November and December averaged slightly below October levels. Prices of imported oils, except olive oil, averaged slightly higher than in October and were high in relation to prices of domestic oils. The price of olive oil, however, has declined materially since early fall, reflecting the large 1949 Mediterranean olive crop. Prices of edible vegetable oils strengthened somewhat in late November and December. The price of lard declined in early December but advanced sharply following announcement of Government purchases of lard for shipment to Germany. The index number of 26 major fats and oils (excluding butter) stood in December at about 140 percent of the 1935-39 average, compared with 138 percent in November, 148 percent in October, and 224 percent in December, 1948.

December crop estimates indicate that production of fats and oils from domestic materials in the year beginning October 1949 probably will total over 12 billion pounds, including oil equivalent of soybeans and peanuts exported for crushing abroad. This is about 2 percent larger than output in 1948-49 and is well above the wartime peak of 11 billion pounds. Total output of edible fats and oils may be about 8.9 billion pounds compared with 8.7 billion pounds a year earlier, with increases in butter, lard, and cottonseed oil more than offsetting a decline in peanut oil.

The increase of 13 percent in the 1949 pig crops will result in a substantial rise in 1949-50 in the production of greases as well as lard. Total production of inedible tallow and greases may expand about 5 percent over the 2.1 billion pounds produced in 1948-49.

An unusually large percentage of the total output of edible fats and oils for the marketing year apparently has been produced early in the season. Factory production of edible fats and oils in October and November totaled 1,550 million pounds, 12 percent more than a year earlier, compared with only the slight increase expected for the 1949-50 season as a whole. Production in September 1949 was 20 percent larger than a year earlier, mainly as a result of early marketing of hogs from the 1949 spring crop, and of early maturity and crushing of 1949-crop soybeans. The sharp increase in production over a year earlier has resulted in a more rapid early-season increase in stocks of fats and oils than a year ago.

Exports of fats and oils declined in September and October from the unusually high level in earlier months of the year. However, October exports of 123 million pounds, including oil equivalent of oils seeds, were still substantially higher than a year earlier. The total for January-October 1949 was 1,939 million pounds, compared with 727 million pounds a year earlier.

Imports in October were materially larger than the average for the first 9 months in the year, and for the first time since October 1948 exceeded exports. Imports of copra in October were the largest since December 1947. Total imports of fats and oils, including oil equivalent of oilseeds, in January-October 1949 was 877 million pounds compared with 1,027 million pounds a year earlier.

CORN AND OTHER FEED

Market prices of corn have advanced about 15 to 20 cents per bushel since early November. Prices of wheat millfeeds, and some of the other lower protein byproduct feeds also have advanced during the past 2 months. Prices of animal protein feeds have declined since the high level of last summer. As a result of recent price changes the animal protein feeds, which were relatively high during the summer and fall months, are now more nearly in line with prices of other feeds. Compared with a year earlier, prices of feed grains in December were down about 8 percent and high-protein feeds about 9 percent. The Government support program for feed grains and the increased livestock numbers are important factors supporting feed prices. While feed prices in general this winter are expected to remain lower than a year earlier, they probably will be nearer the level of last year by late winter of spring.

Market receipts of corn, including some Government-owned, were unusually heavy during October and early November -- more than double the 5 year average for that period. Since the middle of November, receipts have declined sharply, and by late December were down below average. Stocks of corn at terminal markets have increased much more than seasonally since October and in late December they totaled over 50 million bushels, slightly larger than the big terminal market stocks a year ago.

The final 1949 estimate of this year's corn crop was 3,378 million bushels, 304 million bushels less than a year earlier, but larger than in any other year. Including the record carry-over of 815 million bushels, the total supply of 4,193 million bushels is 10 percent larger than a year ago, and a billion bushels larger than in most years prior to 1948-49.

The total supply of all feed concentrates for the 1949-50 season is estimated to be about 180 million tons, the largest on record, and 5 percent above the near-record supply of last year. Much of the increase from a year ago is in corn, which makes up a larger than average percentage. In relation to the prospective number of livestock to be fed this year, supplies of feed grains are the largest on record, while the supply of protein feeds is expected to be a little smaller than the record of 1948-49.

WHEAT

Cash wheat prices are somewhat lower than in late November and early December and generally close to the loan level. In Texas and Oklahoma, wheat prices advanced to the loan plus charges, and selling was relatively heavy for a time. At 3 to 4 cents above the loan in such States as Kansas, Colorado and Nebraska, growers sold on only a very limited scale. Export sales of soft red wheat, market supplies of which have been relatively large, brought the price of such wheat nearer the loan.

Factors in the price outlook include: (1) The quantity of wheat which will be placed under loan before January 31, when the program ends. (2) The premium above loan plus charges which will induce growers to sell loan wheat. (3) The volume of exports, which recently has begun to increase. (4) Condition of the winter wheat crop, both domestically and abroad. Moistrue conditions on the European continent are reported generally satisfactory.

Through November 30, loan and purchase agreement wheat from the 1949 crop totaled 295 million bushels, against 253 million from the 1948 crop on the same date a year earlier. In addition, on November 30, 1949 about 4 1/2 million bushels of 1948 wheat had been resealed. Although the 1949 crop was 167 million bushels smaller than the 1948 crop, the total placed as collateral and under agreements may approach the 367 million bushels for the 1948 crop. Even though many growers redeem their loan wheat as prices rise above loan level plus charges, it is expected that a very large part of the carry-over on July 1, 1950 will again be owned by CCC.

July-November exports of wheat, flour and macaroni totaled the equivalent of about 141 million bushels, considerably less than the record 232 million in the same period a year earlier. The size of U. S. exports this year has been affected by the generally reduced demand by importing countries, following 2 favorable crops, and also by very limited sales to Wheat Agreement countries. It is expected that importing countries which

have delayed purchases will be in the market for increasing quantities. Wheat Agreement countries using ECA funds may now obtain their wheat at the maximum Agreement price, which is below our domestic price level, under a program (effective October 28) which provides for CCC payments of the export subsidy on such shipments. Exports under the International Wheat Agreement from August 1 through December 29 totaled 31 1/2 million bushels. The quota for the United States for the year is 168 million bushels.

Winter wheat acreage is estimated at 53.0 million acres, a reduction of 15 percent from the 62.4 million seeded for the 1949 crop, but 11 percent more than the average of 47.7 million acres seeded for the 1938-47 crops. The indicated acreage is about in line with national acreage allotment program. Winter wheat production was forecast at 885 million bushels on the basis of reported condition on December 1, and other factors affecting yields. If spring wheat acreage is reduced about the same as the winter wheat and yields of about 13 bushels are obtained, a crop of about 250 million bushels would be produced. Adding this to the winter wheat forecast would result in a total of 1,135 million bushels.

Wheat production for 1949, according to the final estimate for the year was 1,146 million bushels, compared with the record of 1,367 million in 1947 and the 1938-47 average of 992 million bushels. This is 20 million bushels more than was estimated in November. Here is how the supply-distribution picture for 1949-50 looks now: Total supplies of 1,452 million bushels include the 1949 crop plus the July 1, 1949 carry-over of 306 million bushels. Domestic disappearance is expected to total about 700 million bushels, which would leave 750 million bushels available for export in 1949-50 and carry-over July 1, 1950. If exports total 400 million bushels, a carry-over of about 350 million bushels would remain. This compares with the prewar average of 235 million and the record of 631 in 1942.

FRUIT

Grower prices for apples probably will increase less than seasonally in January and February mainly because of large stocks. Prices for most citrus fruits probably will decline slightly because of the usual post-holiday slump in demand and seasonally increased supplies from the new crop.

Despite heavy early season marketings of apples from the large 1949 crop, cold-storage holdings on December 1, 1949, were about 53 percent larger than stocks a year earlier from the short 1948 crop and about 15 percent larger than the December 1 average for 1944-48. Because stocks of apples are still large in relation to probable demand, grower prices are likely to rise less than seasonally in January and February. Such prices are expected to continue somewhat lower than last winter. Pear stocks December 1, 1949, were about 6 percent larger than a year earlier but 17 percent smaller than average. With stocks of pears smaller than usual, grower prices in January and February probably will advance seasonally, but they may not rise above the levels of a year earlier.

Because the market movement of new-crop citrus fruit was slower than usual in gaining volume this fall and because of strong demand for citrus for the holiday trade and for processing, both grower and terminal market auction prices for most citrus fruits have been considerably higher this fall than in the same time of 1948. But with increasing supplies of the fruit and the holiday season over, prices are expected to decline somewhat in January and February. Such declines probably will be the smallest for grapefruit of which production this season is considerably smaller than usual and even moderately smaller than the reduced 1948-49 crop.

Both packer and wholesale distributor stocks of most canned fruits on November 1, 1949 were about one-sixth larger than on that date in 1948. In contrast, both packer and wholesale distributor stocks of canned citrus juices on November 1, 1949, the beginning of the 1949-50 pack season, were substantially smaller than a year earlier. But such stocks have already been partially replenished from the new pack. Cold-storage stocks of frozen fruits, berries, and fruit juices on December 1, 1949 were about 7 percent smaller than stocks a year earlier.

POTATOES AND SWEETPOTATOES

Less than the usual seasonal rise in prices received by farmers for potatoes is expected for the rest of the 1949-crop marketing season. The 1949 crop now estimated at nearly 402 million bushels has been exceeded only 8 times, but was produced on the smallest acreage since 1878. The average yield per acre this year has been exceeded only once and then only slightly by the record high yield of 1948.

Despite the large crop, price-support purchases by the Government this season through January 2, 1950 totaled about 15 million bushels, only 4 percent of which were U. S. No. 1 grade and greater size. This is in sharp contrast to the price-support purchase score last year at this time, when purchases of 1948 crop potatoes totaled nearly 84 million bushels. The smaller purchases to date this year are the result of a smaller crop, a lower price-support level, and a shift from a 2-price support schedule to a 1-price support basis.

Further substantial purchases of 1949 crop potatoes for price-support probably will be necessary, and most of them will be from the relatively heavy stocks in storage. However, prices received by farmers in general will average well above price-support levels. It has been estimated that the season-average price received by farmers for the 1949 crop will be $1.40 per bushel, which is 15 cents under the average received for the 1948 crop.

The 1949 sweetpotato crop is estimated at about 54 million bushels, 8 percent larger than the 1948 crop, as the result of slight increases in acreage and the highest yield per acre in 25 years.

Because of the larger crop and because of slightly less favorable general business conditions than a year earlier, prices received by farmers for 1949-crop sweetpotatoes are expected to average slightly lower for the season than those received for the small 1948 crop.

COMMERCIAL TRUCK CROPS

For Fresh Market

Prices received by farmers for most commercial truck crops sold on the fresh market this winter (January through March) are expected to average moderately lower than those received a year earlier primarily because of larger supplies now indicated. Prospective supplies, based on early estimates covering 13 of the 18 winter crops, total one-fifth larger than last winter and nearly one-third larger than the 1939-48 average. Smaller supplies than last winter are indicated only for shallots, kale, lima beans, and celery. The prospective crop of cabbage for winter harvest is nearly one-fifth larger than that produced last winter, and will far more than compensate for the probable reduced stocks held over in storage from the 1949 fall crop. Other crops in plentiful supply this winter compared with last are artichokes, carrots, cauliflower, green peas, beets, lettuce, and spinach. Lettuce supplies are 40 percent greater than a year earlier.

Demand for fresh vegetables is expected to be slightly weaker this winter than a year earlier, reflecting the slight downtrend in the general level of employment and national income.

For Processing

Production of truck crops for commercial canning, freezing, pickling and all other processing except dehydration, was slightly larger this year than last, and indicates another large pack of canned and frozen vegetables. Demand for canned and frozen vegetables in 1950 is expected to be a little weaker than it was in 1949 because of general business conditions and generally plentiful supplies of processed vegetables.

New high records for production of crops for processing were set in 1949 for green lima beans, sweet corn, and cucumbers for pickle. Of 11 crops, production was smaller than last year only for cabbage for sauerkraut and tomatoes.

While data on current stocks of canned vegetables are largely incomplete, it appears that November 1 stocks this year were substantially larger than last year for canned sweet corn, but smaller for canned green peas. The December 1 stocks of frozen vegetables were nearly one-fourth larger than those of a year earlier, though slightly smaller than in November, 1949. The total pack of frozen vegetables this year probably was of record or near-record proportions.

DRY EDIBLE BEANS AND DRY FIELD PEAS

Prices near support-levels are the prospect for the rest of the 1949-crop marketing season for dry edible beans. The record-large 1949 crop of 20 million bags (cleaned basis) adds to the surplus carried over from the near-record 1948 crop, and no improvement in demand for dry beans is anticipated in 1950.

Because of the larger supply and lower support level, prices to growers on the 1949 crop are expected to average about 15 percent lower for the season than the prices for the 1948 crop.

The 1949-drop in production of dry field peas compared with the 1948 crop is about matched by the reduction in total demand for dry peas. Consequently, 1949 crop peas are expected to continue to sell at about support levels. The season average price received by farmers for the 1949 dry pea crop may be about one-fourth lower than the average received for the 1948 crop, due primarily to the lower level of support in effect on the 1949 crop.

Acreage planted to dry peas in 1949 was nearly one-fifth larger than the acreage planted in 1948, but 1949 yields per harvested acre averaged about one-fifth lower than in 1949, and acreage abandonment was somewhat higher in 1949 than in 1948.

COTTON

Spot prices of cotton advanced slightly during the first half of December to about one-half cent above support levels. Prices for Middling 15/16 inch averaged 30.17 in the ten markets on December 15 compared with 29.71 a month earlier and 32.04 a year earlier.

Domestic mills have been buying cotton in fairly good quantities for both prompt and forward delivery. Purchases are substantially above last year when they were largely confined to covering only immediate needs. Demand for cotton by domestic mills will probably remain higher than last year for the next few months as some mills are booked as far head as May. Domestic mill consumption in November was 772,000 bales, which brings the total for the first four months of the current season to 2,872,000 bales compared with 2,850,000 bales for the same period last year and 2,302,000 in 1935-39. Exports of cotton for October were 415,100 bales compared with 246,100 a year earlier. The total exports for the first three months of the current season were 794,100 bales compared with 531,600 bales a year earlier.

Entries of cotton into CCC loan stocks continue to increase from week to week but still are below last year's level. On December 22, gross loan entries totaled 2,200,000 bales compared with 3,800,000 a year earlier.

The 1949 cotton crop was forecast as of December 1 at 16,034,000 bales 500 pounds, gross weight. The indicated yield was 285.8 pounds per harvested acre, the third highest on record.

WOOL

Wool prices in the chief exporting countries have been advancing since devaluation in mid-September. However, in terms of dollars, they are still below the pre-devaluation level. On September 17, the price of Australian type 77, good topmaking wool, was \$1.40-\$1.44 per pound, clean basis, delivered in bond at Boston. After devaluation, the price was \$1.10-\$1.14, but by December 17 had advanced to \$1.34-\$1.37 per pound or 4.6 percent below the pre-devaluation price.

The average price received by farmers for wool has declined considerably since last February, when it reached 52.6 cents, the highest since January 1920. In November the average price was 46.0 cents per pound.

Imports of dutiable wools during January-September 1949 totaled 101 million pounds, clean basis. This was 106 million pounds or 51 percent less than the quantity imported during the same period last year. With domestic production of apparel wool in 1949 was at the lowest level since 1881 and stocks were at the lowest level since before the war, imports of apparel wool in 1950 must increase substantially over the 1949 level if domestic consumption this year reaches about 325-375 million pounds, scoured basis, as is now anticipated. Imports of 78 million pounds (scoured basis) of duty-free wool during the first nine months of 1949 were 60 percent less than in the same period of 1948.

Domestic mills consumed 278 million pounds, scoured basis, of apparel wool during January-October. Consumption during this period was 33 percent below that for the same period in 1948, but 19 percent above the January-October average for 1935-39. Mill consumption of such wool has been increasing in recent months. The average weekly rate during October was 8.4 million pounds, the highest since October 1948. Consumption of carpet wool during January-October totaled 131 million pounds, scoured basis, 28 percent less than during the first 10 months of 1948.

TOBACCO

Burley tobacco, the second most important cigarette tobacco and also used in smoking and chewing, was in fairly strong demand during the pre-holiday sales period. The average price for gross sales of 323 million pounds through December 21 was 46.4 cents per pound, slightly lower than the 47.8 cents in the corresponding period last year. The support level for Burley of 40.3 cents is 5 percent lower than last season. Growers voting in the recent referendum overwhelmingly approved a continuation of marketing quotes for three years. Burley supplies are large, and the 1950 allotted acreage will be about 10 percent less than in 1949. Cigarette consumption in this country again set a new record in 1949. The present estimate for 1949 is about 1 or 2 percent above the previous

record of 348 billion in 1948. This is a smaller gain in domestic consumption than in each of the previous two years. During January-October 1949, cigarette exports have been running 23 percent below the record rate of last year.

The average price of auction sales of Virginia fire-cured tobacco, type 21, through December 20 was 33 cents per pound, a little higher than in the pre-holiday period last season. Supplies are a little lower than a year ago due mostly to the smaller 1949 crop. In the year ending September 30, domestic use of Virginia fire-cured showed an increase but exports dropped more than one-fourth below the preceding year. Auction markets of the other fire-cured, types 22-24, grown in Kentucky-Tennessee will begin in early January. Supplies of these types, though below last year, are more than adequate for expected requirements. Quantities of fire-cured under Government loan are still substantial even though exports in the past crop year were well above the record peacetime low of the year before. Snuff is a relatively stable domestic outlet for the fire-cured types, but exports, which took the greater proportion in prewar, are far below the average of the late 1930's. The level of price support for the fire-cured types is 30.2 cents per pound - 5 percent less than last season. Fire-cured (21-24) and dark air-cured (types 35-36) growers will have 1950 acreage allotments that are about 15 percent smaller than in 1949.

Supplies of the dark air-cured types, though a little below a year ago, are relatively large. Production of chewing tobacco has continued its downward trend and was a record low in 1949. The high exports of dark air-cured in 1948-49 are not in prospect for 1949-50. The dark air-cured tobacco auction began in late November and early December. For the pre-holiday sales, the average price of both type 35, One Sucker, and type 36, Green River, were between 27 and 28 cents per pound. Type 35 was slightly less and type 36 was slightly more than in the same period last year. Pre-holiday sales of Virginia sun-cured, type 37, averaged 29.8 cents per pound--the same as in the comparable period a year earlier.

A substantial proportion of the 1949 Connecticut Valley binder crop has been sold. Broadleaf, type 51, brought prices not far different from those of last season when the season average amounted to 60 cents per pound. Early season sales of Havana Seed, type 52, brought prices estimated at roughly 15 percent less than the 62-cent average of last season. Cigar binder supplies are a little lower than a year ago. While exports of cigar binder were at a record high in 1948-49, they are not likely to repeat in 1949-50. Consumption of cigars and scrap chewing--an outlet for lower grades of cigar tobacco--have been lower in 1949 than 1948. Cigar consumption for 1949 is estimated at 5.6 billion compared with 5.8 billion last year.

United States tobacco exports during January-October 1949 were valued at 206 million dollars for about 409 million pounds. The volume was 18 percent higher than in the same period a year earlier while the declared value per pound was down 2 percent.

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